CORONATION GLOBAL STRATEGIC USD INCOME FUND

Fund Information as at 30 June 2021

CORONATION

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WHAT IS THE FUND'S OBJECTIVE?

The fund aims to achieve a higher return than a US dollar term bank deposit. It is mainly focused on delivering short-term income.

WHAT DOES THE FUND INVEST IN?

The fund invests between 75% and 100% of its assets in a wide variety of fixed income assets. This may include bonds, money market instruments and other debt securities issued by international governments, banks and other companies or institutions.

Up to 25% of the fund may be invested in listed property, preference shares and other forms of hybrid debt or equity instruments.

While the fund may invest in instruments in any currency, its effective exposure to the US dollar will at least be 75% at all times. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

The average duration in the fund will typically not exceed three years.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

The fund is tactically managed to secure an attractive income, while protecting capital.

Its investments are carefully researched by a large and experienced investment team and subjected to a strict risk management process. The fund is actively positioned to balance long-term strategic positions with shorter-term tactical opportunities to achieve the best possible income.

While the fund is managed in a conservative and defensive manner, it is not guaranteed to always outperform cash over short periods of time, and may suffer capital losses primarily as a result of interest rate movements or negative credit events.

Capital growth, if any, will generally come from capital market changes such as falling interest rates or movements in foreign currencies.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term is 12-months and longer. Given its limited exposure to growth assets, the fund is not suited for long investment terms.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Conservative investors who are looking for an intelligent alternative to US Dollar bank deposits.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 0.80% is payable.

All fees exclude VAT. Fund expenses incurred in the fund include fees payable to unconnected international fund managers on a portion of assets situated offshore as well as trading, custody and audit charges. All performance information is disclosed after deducting all fees and other fund costs.

We do not charge fees to access or withdraw from the fund.

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?

STEPHEN PEIRCE
BA (Economics), MA (Finance), UKSIP

NISHAN MAHARAJ
BSc (Hons), MBA

SEAMUS VASEY
BCom (Hons), MSc

GENERAL FUND INFORMATION

Fund Launch Date	30 December 2011
Class	A
Class Type	Accumulation
Fund Domicile	Ireland
Morningstar Fund Category	Global Bond – USD Hedged
Currency	US Dollar
Benchmark	110% of USD 3-month LIBOR
Investment Minimum	US$15 000
Bloomberg	CORGSUA
ISIN	IE00B4TFHM43
SEDOL	B4TFHM4

CORONATION GLOBAL STRATEGIC USD INCOME FUND

CLASS A as at 30 June 2021

CORONATION
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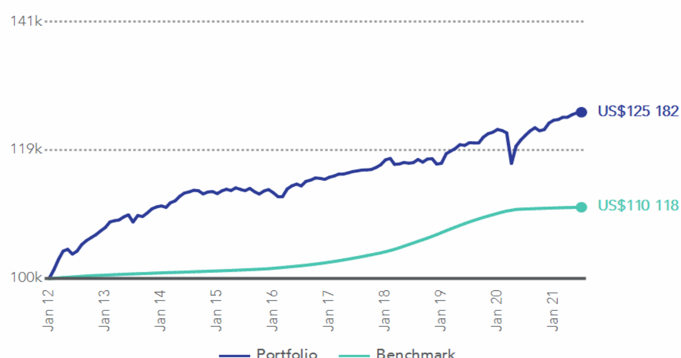
Launch date	30 December 2011
Fund size	US$ 504.85 million
NAV	1251.82 cents
Benchmark/Performance Fee Hurdle	110% of USD 3-month LIBOR
Portfolio manager/s	Stephen Peirce, Nishan Maharaj & Seamus Vasey

	1 Year	3 Year
Total Expense Ratio	0.87%	0.87%
Fund management fee	0.80%	0.80%
Fund expenses	0.07%	0.07%
VAT	0.00%	0.00%
Transaction costs (inc. VAT)	0.02%	0.02%
Total Investment Charge	0.89%	0.89%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A $100,000 INVESTMENT (AFTER FEES)



PERFORMANCE (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	25.2%	10.1%	15.1%
Since Launch (annualised)	2.4%	1.0%	1.4%
Latest 5 years (annualised)	2.0%	1.6%	0.4%
Latest 3 years (annualised)	2.3%	1.6%	0.7%
Latest 1 year	3.2%	0.2%	2.9%
Year to date	1.1%	0.1%	1.0%

	Fund
Modified Duration	0.7
Yield	1.6%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	2.1%	0.3%
Sharpe Ratio	0.84	1.49
Maximum Gain	5.4%	10.1%
Maximum Drawdown	(4.5)%	N/A
Positive Months	75.4%	100.0%

	Fund	Date Range
Highest annual return	7.1%	Jan 2012 - Dec 2012
Lowest annual return	(2.0)%	Apr 2019 - Mar 2020

PORTFOLIO DETAIL

ASSET ALLOCATION BY INSTRUMENT TYPE

	% of Fund
Developed Markets (IG)	70.6%
Fixed Rate Bonds	*54.0%*
Floating Rate Bonds	*10.3%*
Inflation Linked Bonds	*6.3%*
Emerging Markets (IG)	12.6%
Fixed Rate Bonds	*8.1%*
Floating Rate Bonds	*2.5%*
Inflation Linked Bonds	*2.0%*
Developed Markets (High Yield)	1.1%
Emerging Markets (High Yield)	7.3%
Convertibles	4.5%
Listed Property	1.2%
EFT	2.0%
Cash & Money Market	0.9%
Total	100.0%

ASSET ALLOCATION BY ISSUER TYPE

	% of Fund
Corporations	54.0%
Sovereigns	38.6%
Cash	0.9%
Multi-National	5.3%
REITS	1.2%
	100.0%

ASSET ALLOCATION BY RATINGS BAND

	% of Fund
Investment Grade	85.8%
Sub-investment Grade	10.1%
Other instruments	4.0%

TOP 5 ISSUER EXPOSURE

	% of Fund
United States Government Treasury	30.1%
Mexican Government	2.7%
European Investment Bank	2.2%
European Bank for Reconstruction and Development	2.2%
Credit Suisse	2.1%

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	0.1%	0.3%	0.0 %	0.3%	0.2%	0.1%							**1.1%**
Fund 2020	(0.2)%	(0.3)%	(4.0)%	2.4%	0.8%	0.6%	0.6%	0.4%	(0.4)%	0.2%	0.9%	0.4%	**1.2%**
Fund 2019	1.3%	0.3%	0.4%	0.5%	(0.1)%	0.4%	0.0 %	0.0 %	0.8%	0.5%	0.2%	0.4%	**4.7%**

Issue date: 2021/07/14

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

Please note that the commentary is for the retail class of the Fund.

Global bond market returns experienced significant dispersion during the last three months as localised factors proved more influential than usual. Despite incidences of renewed lockdowns, developed market economies have begun to reopen. Higher input prices and supply bottlenecks added to base effects to boost recent headline inflation, with the wider debate focusing on how transitory price pressures will prove to be. The narrative within developed market central banks has shifted towards tighter monetary policy, whilst numerous emerging markets have already begun raising rates. A seemingly insatiable appetite for credit saw credit spreads approach historically tight levels. Within foreign exchange markets, the US dollar weakened throughout April and May but began to strengthen post the more hawkish Federal Open Market Committee (FOMC) meeting in mid-June. The Fund returned 0.7% for the second quarter and 3.2% for the last 12 months, versus a benchmark return of 0.0% and 0.2%, respectively.

US growth expectations for 2021 have continued to trend higher as vaccine deployment has allowed most of the economy to reopen. The US Federal Reserve (Fed) boosted its forecast for growth in 2021 to 7% in June from 6.5% in March. Whilst the US unemployment rate remains higher than the Fed would like to see, the underlying details are more robust. In fact, firms report labour shortages as coronavirus concerns, childcare responsibilities, and expanded unemployment benefits have kept workers out of the labour force. While overall employment numbers are 4.4% (6.7m jobs) lower than the pre-pandemic levels of February 2020, leisure and hospitality is 13% (2.2m jobs) lower, a figure that is beginning to heal, as evidenced in the 343,000 jobs created in the sector during June. If jobs growth continues at the current pace, the Fed's criteria of "substantial further progress" will arguably have been achieved.

It seems highly likely the Fed will signal a date for the tapering of asset purchases either at Jackson Hole in late August or at the Federal Open Market Committee's (FOMC) September meeting, with actual tapering beginning most likely in early 2022. As Larry Summers has pointed out, the case for $40bn a month of Asset Backed Security (ABS) purchases looks weak when house prices are rising at over 15% year on year (yoy). In light of economic developments, the upward move in the Fed's June Dot plot should come as no surprise, but it is a testimony to how dovish the Fed's language has become that it was perceived as hawkish and that markets began to re-interpret the Fed's resolve in light of Average Inflation Targeting (AIT). While break-even rates of inflation were broadly unchanged during the quarter, they did moderate during June as the transitory inflation narrative gained more traction; the Fund sold 2027 maturity Treasury Inflation Protected Securities and increased its exposure via 2029 maturity instruments as the longer maturity securities were deemed better value in the context of the Fed's longer-term inflation target.

Not surprisingly, the two- to five-year yields rose post the move in the Dot plot but perhaps more surprising has been the move lower in longer-dated yields, which have been trending lower since the end of March (the US ten-year ended the quarter at 1.47% down from 1.74% at the end of March). This move lower seems at odds with the economic data but is most likely explained by the scaling back of supply ahead of the 31st of July when the suspension of the current debt ceiling expires. In addition to the Fed's normal $120bn of monthly asset purchases, the running down of the Treasury General Account (TGA) has been draining another $100bn a month principally via lower T-Bill issuance.

The lack of supply comes when bank deposits and money market fund flows have been rising, with the excess demand driving short-dated yields to zero. Eligible counterparties turned to the Fed's reverse repo facility, where they can lend cash in return for Treasury collateral on an overnight basis. The sum involved reach almost $1 trillion after the Fed increased the rate on such reserves to 0.05% from zero post the FOMC meeting. T-Bill yields subsequently rose towards 0.05% from zero to reflect the change. These dynamics are likely to persist for some time as the TGA is set to shrink by a further $300bn. However, it would be wrong to assume the effects of the TGA are confined to the short end. Short-term deposit takers have been actively seeking to deflect inflows, with some of these funds subsequently finding their way into longer maturities; banks too have had to hold higher levels of High Quality Liquid Assets (HQLA) post the removal of Liquidity Coverage Ratios exemptions, and the dearth of short assets has seen HQLA become longer in tenure. A further source of demand for longer-dated Treasuries has come from pension funds, which have been de-risking as their funding ratios have improved. We expect the recent technical aspects of the market to continue for a few more months, especially in light of the short positioning of the market, but ultimately the reset higher will be more dramatic when it does arrive, most likely in the latter half of 2021. The Fund duration shortened marginally during the quarter. The managers also used declining interest rate volatility to buy five- and 20-year swaptions that will appreciate if yields do rise aggressively.

European government bonds yields rose further during the second quarter (German 10 years rose from -0.3 % to -0.2%), and the broad market underperformed US Treasuries by 2.5% in local currency terms. Unlike the US, issuance has been more plentiful, and the market has begun to worry about the level of official support from asset purchases that will follow the phasing out of the Pandemic Emergency Purchase Program (currently around €80bn a month). The European Central Bank (ECB) will likely increase its Asset Purchase Program (APP) to cover some of the shortfall, but peripheral spreads may be more vulnerable to the shortfall. Europe issuance is also rising on the back of the Next Generation EU (NGEU) Fund, which will eventually grow to €750bn, the first €20bn of which was issued very successfully in mid-June.

The ECB will also be publishing its strategy review, which amongst other things, will likely see the inflation target focus on a symmetric inflation target rather than one targeting the current 2% reference point as a cap. Core inflation remains closer to 1%, and the ECB remains dovish even though headline Harmonised Index of Consumer Prices (HICP) has risen to its highest level (2%) in the last two years and will likely rise further in late 2021 on base effects caused by the German VAT cut in mid-2020.

Growth expectations have also moved higher, with the EU expecting the region to grow 4.8% in 2021 and 4.5% in 2022. The Fund exposure to the region was broadly unchanged during the quarter at around 14%, but this masks underlying movements that saw maturing securities replaced with three- to five-year instruments. The foreign currency basis has been trending tighter for the last few years, reflecting ample US dollar liquidity. With the Federal Reserve now draining liquidity via its reverse repo operations, we may see this begin to widen slightly, which would enable the Fund to secure more hedged Euro-denominated positions.

In other developed markets, the lower yield backdrop of the US set the scene for generally positive returns. One other noticeable feature of developed markets was the strong rise in house prices, a reminder that the persistence of ultra-low rates is having a significant effect on asset prices more widely. This has become a more central issue for government and central bankers, with New Zealand broadening the remit of its central bank to consider movements in the asset class. Within all the major central banks, the subject of winding down asset purchases is now a central policy theme. At the Bank of England, the outgoing chief economist Andy Haldane made his feeling clear that excessive asset purchases in the face of recovering economies may pose an upside risk to inflation.

Emerging markets continue to face multiple challenges, with Covid-19 presenting significant challenges to those with poor health care systems, poor political guidance, or insufficient access to vaccines. Inflationary pressures have also been especially acute in nations sensitive to oil and food prices. Several emerging markets have begun to hike rates, including in Russia, Mexico, Brazil and several countries in Eastern Europe, to contain inflationary pressures. Growth has turned out better than expected, with strong commodity prices providing a strong tailwind, but growth momentum is beginning to falter compared to developed markets as the vaccine gap and Delta variant cast a shadow (although vaccine availability and deployment are ramping up). Another concern is the deceleration in the credit cycle in China (backed up by talk of extra stimulus), which tends to be a strong lead indicator for imports. While we believe some of the rate expectations now built into markets are excessive (particularly in Latin America), a premium is likely necessary given the recent widespread political upheaval and more challenging foreign exchange backdrop. Unlike in 2013, when the US taper tantrum occurred, emerging markets are structurally sounder and have relatively low market participation by foreign accounts, which should dampen volatility. The Fund bought some shorter-dated locally currency Mexican government bonds, some of which were inflation-linked. Within hard currency emerging markets, bonds performed well, benefitting from the wider compression in credit spreads. The Fund sold its Moroccan government bonds and bought exposure in Columbia, Indonesia, and Mexico.

Corporate bonds continued to perform strongly, outperforming US Treasuries by 1% over the quarter and marking the ninth consecutive month of outperformance. Investment-grade spreads are now at historically tight levels (whereas high yield bonds were marginally tighter in the mid-2000s) when normalising the rating and maturity composition of indices. The tightening move was broad-based with a consistent move tighter across ratings and maturities. Aside from the better economic outlook and a general 'risk-on' backdrop, the supply backdrop exacerbated moves. Lower US government issuance has seen money flow into credit when net issuance has shrunk, resulting in excess demand. Within US high yield, which outperformed government bonds by 1.8%, supply proved to be stronger, boosted by new names, M&A funding and corporates taking advantage of low absolute yields to raise additional funds or term out maturities. European markets' excess returns were a little lower at 0.6%, with high yield at 1.7% as supply dynamics were less extreme. Asian markets were the laggards, especially within high yield as several highly leveraged Chinese names posted negative headlines.

At current levels of credit spreads, we have become much more cautious, reducing positions in UBS, Growthpoint, Société Générale and Citi Bank. The Fund invested in investment-grade issues from JBS, the US meat producer, the African Export-Import Bank and the Industrial & Commercial Bank of China. Within high yield issues, the Fund participated in new issues from Absa Group and MAS Securities, a property company operating in Central and Eastern Europe, and the Mexican bank Banco Mercantil del Norte. The Fund remains alert to opportunities within the convertible market, where lower volatility and tighter fixed-rate credit spreads make valuation potential more attractive. The Fund adding to MailRu and Weibo convertibles and sold out of Deutsche Wohnen convertibles after the takeover offer from Vonovia. Overall credit duration remains modest and broadly unchanged over the quarter. The managers did take advantage of the tight spreads by taking out credit protection via options on US investment-grade indices.

Property performed well during the second quarter, with the EPRA/NARIET Developed Index up close to 10%, European and US-listed companies leading the way and Asia lagging. The Fund exposure declined very slightly from 1.4% at the end of March to 1.2% at the end of June. The Fund sold its holding of Mercialys after a rise of 50% YTD and its holding of Deutsche Wohnen after the takeover by Vonovia at a three-month premium of 25%. Growthpoint Properties Australia was another stock sold after a strong run. A new position for the Fund was Equities Property Fund, a logistics focused REIT, in early June. While US valuations now feel very full, there appears to be value elsewhere if economies continue to reopen and the Delta variant doesn't derail events.

Within foreign exchange markets, the US dollar weakened throughout April and May but began to strengthen post the more hawkish FOMC meeting in mid-June. On a broad trade-weighted measure, the US dollar was 3% weaker at one point but recovered to close the quarter 1% weaker. Within G10 markets, the Swedish Krona and Swiss Franc performed best, up around 2%, while the Australian Dollar was the laggard, down 1.3%. Brazil was the standout performer within emerging markets after a very weak start to 2021; Eastern European currencies also performed well, up between 3% and 4%, as central banks turned more hawkish in light of the higher inflation outcomes. The weakest currencies aside from Turkey, down 5%, were principally in South America, where politics has become more left of centre, unsettling investors. The Chinese Renminbi performance mirrored that of the broader dollar index.

Fundamentally we believe the US dollar should weaken against most other developed market currencies, in part due to its large deficits. However, in the near term, a host of other factors, such as positioning, short-term rate expectations and general risk sentiment, are proving more influential. Considering the declining levels of foreign exchange volatility, the Fund bought a series of longer-dated out of the money FX options, expressing a weaker dollar view against the Euro, Yen, SEK, CAD and AUD.

The recent retracement in medium- and longer-dated bond yields appears excessive given the large amounts of funding necessary in most countries, and the Fund remains defensively positioned. While we acknowledge the recent hawkish tilt from central banks, markets should remember that a tapering of asset purchases will precede rate rises in developed markets. Real yields once again appear unappealing against this backdrop. It also feels the pendulum has swung from full-blown inflationary concerns to accepting the transitory narrative too quickly, hence our upweighting of inflation-linked securities. Corporate bonds remain in a sweet spot, but this too can change rapidly, especially as investor behaviour has been predicated on the belief that a wall of cash will step in to limit any selloff.

If the last year has demonstrated anything, it's that the world is a highly uncertain place, and it strikes us as odd that volatility in many areas of the market has fallen to such low levels; hence the Fund's greater use of option protection within rates, credit and FX markets. Markets tend to become more volatile in September and October after the northern hemisphere's summer, the policy timetable certainly picks up around then, so perhaps history will repeat itself.

Portfolio managers
Stephen Peirce, Nishan Maharaj and Seamus Vasey
as at 30 June 2021

CORONATION GLOBAL STRATEGIC INCOME FUND

Important Information

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IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION GLOBAL STRATEGIC USD INCOME FUND

Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. The fund is mandated to invest up to 100% of its portfolio into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. The yield shown is an estimate in part based on market assumptions and forecasts. The yield is calculated by taking the interest and income receivable of all the instruments in the fund divided by the net asset value, expressed as a nominal annual rate. It is provided to give an approximate indication of the achievable yield for an investment made at the reporting date. Actual experience may differ, based on changes in market values, interest rates and changes in costs actually experienced during the investment period. The asset allocation by instrument type are reflected on a look-through basis. The asset allocation by issuer type and top issuer exposures are not reflected on a look-through basis. Coronation reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Coronation Global Fund Managers (Ireland) Limited is authorised in Ireland and regulated by the Central Bank of Ireland. The fund is approved under Section 65 of the Collective Investment Schemes Control Act by the Financial Sector Conduct Authority of South Africa. Portfolio managed by Coronation Investment Management International (Pty) Ltd (FSP45646), an authorised financial services provider.

JP Morgan (Ireland) has been appointed as the fund's trustees (www.jpmorgan.com; t: +353-1-612-4000), and its custodian is JP Morgan Administration Services (Ireland) Limited (www.jpmorgan.com; t: +353-1-612-4000). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHAT PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every business day. Fund valuations take place at approximately 17h00 each business day (Irish Time) and forward pricing is used. Instructions must reach Coronation before 12h00 (SA Time) one day prior to the dealing date. You can expect to receive withdrawal payouts three business days after the dealing day. Large investments or redemptions (exceeding 5% of fund value) may be subject to an anti-dilution levy to defray dealing costs and expenses. This levy, where applicable, is applied fully for the benefit of the fund.

HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class A NAV prices with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of September 2020 (updated annually). The 3 year TER is for a rolling 36-month period to the last quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on www.coronation.com. You will also find additional information on the considerations pertinent to investing in a fund denominated in a foreign currency and domiciled in an offshore jurisdiction.

IMPORTANT INFORMATION REGARDING TERMS OF USE

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